I Marketing Conditions

New Philip Morris Brand - Cambridge

Cambridge Light sales continue to perform very well throughout Section 42. Couponing is the obvious key to this brand's success. The Cambridge Full Flavor introduction in management accounts and independent outlets has been very successful to date.

Pre-booking procedures used for Cambridge Full Flavors definitely helped the Area Managers sell the product into direct accounts. We recommend this procedure be continued with all new brand introductions.

The following management accounts are pending a decision on Cambridge Full Flavor:

.Winn-Dixie, Louisville, KY
.J. C. Groub, Seymour, IN
.Marsh Supermarkets, Yorktown, IN

While we remain optimistic regarding acceptance in all three accounts, Marsh appears the most likely to accept the brand in the near future.

The two for one promotion during the initial retail coverage for Cambridge Full Flavor was excellent. It aided in gaining distribution, inventory, temporary counter displays, and consumer trial. I would recommend larger numbers of two for one units for future new brand introductions.

Virginia Slims Ultra Light Test

M. Livingston in Paducah, KY and Wetterau in Greenville, KY continue to report Virginia Slims Ultra Light sales are doing very well. Direct accounts as well as retailers bordering the test market area continue to report interest and requests for the brand.

Cambridge Menthol Heavy-Up Program

This program has been completed with good results. We gained competitive trial smokers as a result of this program. The pack promotion with 25¢ coupons per pack and the $1.00 off carton coupons both helped. As expected, the pack promotion gained the best results for trial smokers and the carton promotion was taken advantage of by Cambridge Menthol smokers. The media support of one free pack coupon and buy one get one free helped tremendously.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

PM Blues Test

Positive reports continue from Kocolene regarding the movement of PM Blues in their six stores involved with the test. They continue to mention that young smokers are attracted to PM Blues.

Philip Morris

June Customer Analysis report shows a unit gain of +8.0% year-to-date. Marlboro continues to show strong growth with a +7.3% year-to-date increase. All packings of Marlboro contributed to the growth. Parliament had a 1.1% gain, and Benson & Hedges had a .1% gain with all gains coming from the Deluxe packings. Virginia Slims had a .3% gain with the increase coming from Virginia Slims Lights Box and both packings of Virginia Slims 120's. Merit packings had a decline of .6% and Players had a decline of 41.3%. All Cambridge packings show excellent increases for a total family growth of 100% year-to-date.

Industry

The Kentucky unemployment rate is at 9% compared to 9.7% a year ago. There were 2,745 unemployment insurance claims at the end of June compared to 4,234 a year ago.

The Indiana unemployment rate is at 6.1% compared to 6.5% a year ago. There were 5,205 unemployment insurance claims at the end of June compared to 5,459 a year ago.

Diversitech General will open a new plant in Shelbyville, IN and employ approximately 500 people.

The Pan Am Games in August will be held in Indianapolis, IN. City officials estimate the games will give the city's economy a short term payout of $175 million; long term benefits are worth another $175 million or more.

Retail outlets in the state of Indiana kept their inventory levels very low during the last week of June due to the 5¢ per pack tax increase effective July 1, 1987. Many direct accounts would not allow Cambridge Full Flavor to be shipped in until after July 1, for the same reason.

A proposed smoking bill scheduled to be brought before the South Bend, IN City Council on June 22, 1987, was dropped due to poor reaction from the community.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

II Major Competitive Developments

American

Malibu continues to be the main focus.

- .Exposure through displays remains high.
- .Sales are reported as good across the Section.
- .Part time Sales Rep. hired in Indianapolis to coupon Malibu.
- .Billboard exposure is high in all areas, highlighting $3.00 off coupons.
- .Generic fixture payment of $3.00 per row continues to gain space which may create a problem for Cambridge where we don't pay.
- .Buy one get one free 20 unit counter displays are available in Bowling Green, KY.

Lucky continues to offer $2.00 off coupons on cartons as well as $1.00 off in Sunday Supplements for a total savings of $3.00.

They continue to go after fixture space in convenience outlets of 300+ CPW.

Brown & Williamson

Inner city buy one get one free program on Kool Milds with a 100 unit display.

Kool offering $2.00 off coupons on cartons.

Barclay is offering a buy one get one free 30 to 60 carton display. For fixture sales, $2.00 off coupons are available.

Belair is offering $2.00 carton coupons

Richland has $2.00 carton coupons available.

Falcons are receiving heavy billboard support in Southern Kentucky as well as $2.00 carton coupons across the Section.

A new pack display is available which is slightly lower than our B-4 unit. It is being used to push Falcons and GPC's in Evansville.

Viceroy and Raleigh have a new package display offering a 20¢ coupon. Sales have been slow.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Rumors were picked up concerning a possible new 25 pack to be introduced at a future date.

Liggett & Myers

L & M 30 pack has been put on hold.

Free picnic set (knife, fork, spoon) being offered on all styles except generics.

L & M offering $2.00 off carton coupons.

Eve offering a 25¢ off per pack counter display.

Eve 100 & 120 offering free Jordache cigarette case with carton purchase.

Lorillard

Newports offering a buy one get one free program in inner city areas.

Newport using $2.00 carton coupons across the Section.

Newport displays offering free lighter with one pack.

True offering $1.00 carton coupons.

True's new package being promoted with displays and POS.

Triumph is offering a $2.00 carton coupon.

Louisville Section Manager reported to be at a meeting the week of July 3. Rumor suggests a possible generic Triumph.

R. J. Reynolds

Presenting "dual" fixture racks in Owensboro, KY showing payments from combined section (both our rack and their rack). They have told the trade that after July 1, their policy will be changed nationally so that they can pay in stores with both racks.

Placing ceiling mount overheads in accounts instead of paying $100.00 installation. They have told accounts there is no longer a problem with the overhead falling due to their light weight. Reynold's RMA's are doing the installation.

Fort Wayne, IN used a semi-truck and trailor to offer a mobile "Fixture Show". Trade reports that visual impact is extremely good.

2043945730

Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

RJR has attached its name to the annual golf outing for the Indiana Vending Council; "1987 RJR Vantage Indiana Vending Council Mens and Ladies Golf Tournament".

Winston is offering $2.00 coupons on cartons.

Winston Lights and Camel Lights have been offered as buy one get one free displays.

Winston Lights buy one get one will be a July feature.

Salem, Vantage and Camel offering $2.00 carton coupons for product on racks.

Vantage featured in Sunday supplements with $1.50 off coupon for cartons and buy one get one free on packs.

Winston featured in Louisville Sunday supplement, offering $1.50 off a carton.

Century appearing in new package being couponed with $2.00 off carton.

Now being supported with Sunday supplement offering a buy one pack get one free.

Owensboro, KY reports a repeat of Camel's buy three get three "six pack" offer with a 12 to 30 carton display.

Continues to inform select accounts that if they accept PM fixtures they will discontinue offering accounts coupons and special incentive programs. This ultimatum has been successful in numerous instances for RJR.

Offered a buy-in program before price increase; accounts could order 150% of their average weekly carton volume one week and 250% the next week. If the account took advantage of both offers, they would receive a $2.40 per case bonus.

Retirements have been announced for two area Division Managers and at least two area Sales Reps. that are taking advantage of early retirement packages. Effective dates are August 1, 1987.

Generics

R. J. Reynolds - Presenting "Generic Fixture Areas", concentrating on accounts with AV/AG Cambridge racks. Selling need for larger generic section due to growth and new entries as well as playing on accounts desire to centralize cigarette departments.

Doral paying $3.00 per row for RJR generic fixture.

2043945731

Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Doral $1.00 off carton coupons seem to be in endless supply.

Brown & Williamson - Paying $3.00 per row on all generic fixtures.

Falcon being supported with $2.00 off coupons but sales are reported as slow.

Marsh is discontinuing their Qualities.

GPC's offering $1.00 carton coupons.

L & M - Paying $1.00 per row in generic departments up to 12 row maximum.

Generic displays paying $20.00 per month.

Quality Seal offering "Quality Seal Gift Brochure".

Offering a 20¢ rebate to accounts on Black & White and Quality Seal.

American - Paying $3.00 per row in generic departments and $4.00 per row up to a $56.00 cap on their own racks.

III Trade Classes

Wholesale

PM volume in Section 42 was up 8.0% on a unit volume of 3,213,305,000 units as of the end of June.

Percent Of Sales By Market

4B0	Indianapolis	+9.7
4C0	Louisville/Evansville	+5.1
4A0	Fort Wayne/South Bend	+2.4

Sub Markets

Louisville	-1.7
Evansville	+15.2
Lexington	+6.1

States

Solid State Indiana	+8.9
Solid State Kentucky	+6.0

2043945732

Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Distributors

Due to the state tax increase in Indiana effective 7-1-87, several direct accounts chose to hold their new Cambridge Full Flavor orders until after 6-29-87 which was the date they were to inventory for the floor tax.

No reaction to date from the wholesale trade regarding our electronic payment program. Will report participation after customers have evaluated program and decided on how they choose to pay us.

Wholesale Grocers

Nothing new to report.

Vendors

Wiemuth & Sons of Terre Haute, IN, signed to participate in our Maxi-Vend program (100 machines).

Canteen of Indianapolis has ordered 42 coin channels.

Military

Nothing to report.

Retail
Supermarkets

Preston Safeway tested an Electronic Message Center in one store and was extremely pleased. They have authorized placement in all 35 stores.

The Grocery and Advertising Departments of Kroger, Indianapolis, will be our guests at a luncheon on July 28, for a presentation of the Electronic Message Center.

Kroger of Indianapolis has authorized five packings of Cambridge - (both new Full Flavor packings, Light King, Light 100, and Light Menthol 100). These Cambridge packings will be featured in checklane displays.

IGA Supermarkets in the Owensboro, KY area are converting to System 2000 from gondola shelving.

Key Markets in Hammond, IN (6 stores) has accepted Electronic Message Centers for all stores.

Harvest Markets of Anderson, IN (7 stores) have accepted the Electronic Message Center.

Rogers in Fort Wayne, IN, has opened their 12th store.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Winn-Dixie in Louisville (79 stores) has opened the first of four "Marketplace" stores. These are large combo's (approximately 50,000 square feet) with deli's, pharmacy's, floral shops, etc. These are similar to Kroger combo's.

Buehlers of Jasper, IN will open a new store in Booneville, IN this September.

Kroger of Indianapolis (115 stores) has a new Director of Merchandising. Lyle Yates is being replaced by Bob Colvey.

Convenience/Gas

Minit Mart in Bowling Green, KY (78 stores) has ordered three System 2000 fixtures. Also, four stores have converted to our overhead package fixture.

JR Foods in Bowling Green, KY (42 stores) will convert their 14 Village Market stores to self-service.

Convenient Food Mart will hold their fall/winter trade show July 15. We will feature System 2000, AV, B, BV, and survey a 30 carton Cambridge display.

Kocolene is in the process of selling six locations in Pennsylvania and Maryland.

Emro Marketing has opened three new stores in Michigan.

Drugs

Otto Drugs of Louisville, KY opened their 12th store on June 29, in Sellersburg, IN.

Drug Emporium in Louisville will open their fourth store in Clarksville, IN on July 30.

Mass Merchandisers

Danners, Inc. has shut down its operation in Indianapolis and moved it to Maxway Corp. in Sanford, North Carolina.

Service Stations

Clark Oil has informed us that they are currently in negotiations with Getty Oil on a buy-out. Buyer Faron Young stated that if Getty Oil's attempt is successful they would be left as a subsidiary.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Liquor

Liquor Outlet of Louisville, (4 stores) has ordered a System 2000 fixture for its Dixie Highway store.

Return Goods

Return Goods Processors continue to do an excellent job of monitoring and salvaging PM product at return goods depots.

IV Key Accounts

SSM R. Kohl

.None during this reporting period.

SAM K. McCoy

.Kroger Company — M. Phelps - Asst. General Merchandiser — 07/07/87
Louisville, KY

Contacted Mike Phelps to finalize package topper contract and finalize Cambridge floor bin authorization. We will remain on alternate checklanes through August, then move to cigarette checklane toppers, replacing RJR.

.Winn Dixie — J. Wiest - Merchandiser — 07/09/87
Louisville, KY

Presented Cambridge Full Flavor and incentives to merchandise Cambridge Full Flavor on AV fixtures. They are giving Cambridge a hard look. Will follow-up on 7/14/87.

SAM D. Coode

.Village Pantry — G. Randall - Buyer; S. Moss - Merchandising Manager — 07/08/87
Pendleton, IN

Presented Marlboro Sports Bag promotion. Account would not commit to the promotion, however, they are reviewing it. Shopping basket promotion was not accepted.

.Marsh Supermarkets — A. Baker - Buyer — 07/08/87
Yorktown, IN

Presented Cambridge Full Flavor, decision is pending. Follow-up appointment has been scheduled to review System 2000.

.Thornton Oil — K. Williams - Merchandiser — 07/10/87
Louisville, KY

Account accepted both packings of Cambridge Full Flavor and is considering placing an AG fixture in a local store to measure pilferage. They will review the AG fixture in the test store after one month and consider expansion.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

V Merchandising Programs

Carton Merchandising Programs

Plan A

Contracted extended rows average 70.9 in all accounts, which is no change since last report. We are currently in the process of implementing the new Plan A contract. The results of this implementation will be reported next period.

Eligible High Volume Plan A Accounts (300+ CPW)

Independents

27 # of unsigned accounts (Increase of 3 since last report. SSS's will follow-up)

Chains

Account Name	City/State	# Stores	Status
J. C. Groub	Seymour, IN	24	As reported last month, the new Buyer has agreed to review their present method of merchandising cigarettes on their current fixtures. System 2000 and PM package fixtures will be presented in July.

Plan A-1

Currently, 1,302 accounts are signed to this plan which represents a 17.4 % penetration rate. Area Managers and Sales Representatives are currently booking Marlboro Sports Gear A-1's into accounts. We have received many favorable comments regarding this promotion.

C/I

We have 2043945736 accounts participating in this plan which represents a 15% penetration in 300+ carton per week accounts. No C/I accounts have been lost since last report.

Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Pack Counter Merchandising Programs

Plan B

Currently, 2,930 accounts (loss of 1 since last report) are signed to this plan which represents 39.1% penetration. Approximately 46% of these accounts are signed to prime, which is an increase of 1% since last report. Thirty-two percent of B units are M-3's or M-4's with add-ons averaging .8 for each B unit.

BV

We have 1,850 stores (24.7% penetration) signed to this agreement. This is an increase of 38 units since last report.

BG

Currently, 679 accounts (9.0% penetration) are signed to this plan. This is an increase of 30 accounts since last report. Presentations continue in an effort to place these units in accounts where we will receive a payout.

Plan R

We have 153 accounts signed to this agreement. This is an increase of 10 accounts since last report. We continue to pursue new opportunities and follow-up on pending presentations.

Plan D

Section 42 vending placements year-to-date by family are: Marlboro - 1,709, Merit - 838, B & H - 168, Virginia Slims - 248 and others 30. Total vending placements year-to-date are 2,993.

DataVend

As of July 1, we have 42 vendors using our DataVend reporting system with a total of 2,794 machines.

Ride-Withs

No ride-withs have been conducted year-to-date.

RDA

No RDA's have been conducted year-to-date.

ACMR

We have a total of 30 vendors using our ACMR conversion kits, with a total of 1,984 machines.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Philip Morris Fixtures

Carton Fixtures

Currently, 563 accounts are using Philip Morris carton fixtures to merchandise their cigarettes. This represents an increase of 15 stores since last report. Presently, 29.6% of all 300+ carton per week accounts are using PM fixtures.

The System 2000 security shield color does not match the fixture's color. Also, security shields are breaking-down within 2-3 weeks of installation, therefore, requiring replacement. We need one complete frame unit with one central "lock" point. If we don't correct these problems soon we could loose our System 2000 fixture in Preston Safeway of Indianapolis, IN.

Package Fixtures

We have 1,782 accounts (23.8% penetration) merchandising their cigarettes on Philip Morris package fixtures. According to the June Retail Account Summary, this is a loss of 93 accounts. However, a review of this printout shows that "accounts with spinners" were dropped from the report.

AV/AG

Currently, 1,169 accounts are signed to this agreement, which represents a 15.6% penetration. We need the flexibility to buy as many rows as necessary on our AV fixtures. RJR can buy an unlimited amount of rows on their own Doral fixtures. As a result, RJR can use this flexibility payment to remove our fixture and make up our lost payment.

VI Section Activities

Retail Activity And Accomplishments

During June, 44 of 61 assigned territories cycled with a daily call rate of 11 (maximum 13). Cycling was effected by fixture placement activities and vacations. All management levels are emphasizing the necessity for adequate coverage during the remainder of 1987 since strict cycling requirements have been waived.

POS and set-sell placements during June were good. Pre-booking of Cambridge Full Flavor was successful and initial reports indicate retail sales are good.

Management Activity And Accomplishments

Area Managers continue to follow-up on all existing programs and pending presentations. The following accomplishments have been noted:

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

-AM Bob Hurban gained authorization for the placement of the Electronic Message Center at Key Markets (6 stores) in Hammond, IN.

-AM Marc Schuler gained approval for the Electronic Message Center at Lowells/Preston-Safeway (35 stores) in Indianapolis, IN.

-AM Marc Schuler signed both Canteen (Indianapolis) and Wiemuth & Sons to our Maxi-Vend program for a total of 142 coin channels.

-AM Mike King secured authorization for the placement of our System 2000 in three stores at Minit Mart (78 stores) in Bowling Green, KY.

-AM Mike Tompkins signed one store to test our System 2000 at Buslers (11 stores) in Evansville, IN.

-AM Mike Tompkins secured authorization to place the Marlboro shopping baskets in The Pantry (140 stores) in Madisonville, KY.

-SAM Kevin McCoy gained distribution on the five packings of Cambridge at Kroger, Indianapolis, IN (116 stores). This should greatly improve sales in that market.

-SAM Kevin McCoy reached an agreement with Kroger, Louisville (77 stores) to remain on the checklane package toppers for another year. We improved our position to the primary (cigarette) checklanes, dislodging RJR from their own fixtures.

Special Programs

Marlboro 2 Pack With Lighter

As anticipated, this promotion received excellent retail and consumer response. No major problems were encountered because of the delayed shipments.

Cambridge Menthol Heavy-Up Program

This promotion met with mixed response at retail and consumer level. Majority of accounts would have preferred a 2 for 1 instead of the 25¢ off coupon. In addition, the majority of the couponed packages had to be sold into carton outlets, as the smaller package outlets, in many instances, do not accept coupons.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Sampling

The Consumer Intercept Program continues to be an effective tool towards converting competitive smokers. Division Managers report receiving July quantities at POS warehouses one week prior to the start of the July cycle.

Permanent POS

Currently, Section 42 has a 89.5% penetration. Availability of counter balance, wall pole signs, clocks, neons, and floor ashtrays is essential to offset RJR's attempts to dominate this area.

Temporary POS

Marlboro lighter displays were not glued/stapled properly. Top tier would come apart during setting of the displays. Field personnel feel that shelf talkers provide opportunities for visibility in supermarket accounts whereas cards are often not acceptable. Recommend availability of talkers in lieu of multi-purpose cards.

Special Section Projects - June/July

Due to Cambridge Full Flavor introduction, there were no Special Section Projects during these months.

Special Section Projects - August

No Special Section Projects have been planned for August, due to the Cambridge Full Flavor introduction.

VII Sales Services

Systems

ICR error rate for June was 22.3%. This increase was anticipated due to the implementation of the new ICR. As Sales Reps. become more familiar with the new reporting procedures, we anticipate improved error rates. Division Managers are continuing to reinforce the necessity for accurate reporting.

Smart Desk equipment (PC, Plotter and Laser) were received on July 22. We are still awaiting the desk to place this equipment on.

Fleet Administration

Nothing new to report.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

Materials Distribution

Nothing new to report.

Office Administration

During the past reporting period our old office space was sub-leased through a commercial real estate broker. All phases of this sub-lease were coordinated with Walter Beyer and Bill Dorr. We are very appreciative of their support and assistance.

Both Merchandising Assistant positions have been filled. Arrangements have been made by New York office personnel to train our new Assistants in August on the PC.

VIII Sales Development

Through the cooperation and follow-up of New York office Manager Merchandising Materials, Frances Goehl, Area Managers in Section 42 have been able to formulate strong presentations, resulting in key chain acceptance. Area Managers in many instances are taking the Electronic Message Center into the buying office to demonstrate the quality and attractiveness of the unit.

During our Plan A management meeting in late June, we developed strategies to improve our space on self service carton fixtures to eliminate row gaps and improve Section 42's penetration with PM carton and package fixtures. All Managers contributed and responded very well.

IX Media Developments

The new Merit Ultra Lights billboards are excellent. They stand out well and the scenery is very attractive to the consumer. These billboards will provide excellent exposure for this brand. We enjoyed a very good response by consumers to our recent Cambridge coupon which was run in local newspapers.

X Associations And Conventions

Area Manager Tom Engelhardt attended the Indiana Vending Council Convention on July 17 and 18. As a result, Tom was able to strengthen rapport with several accounts. DataVend and our ACMR conversion kits were discussed.

XI Miscellaneous Comments

Nothing to report.

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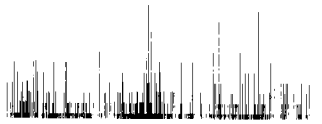
Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000



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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

I. MARKETING CONDITIONS

New Philip Morris Brands

Cambridge Full Flavor

We secured good acceptance at direct and chain level, and in most instances, the accounts accepted their full allocations. Reports indicate that Newman & Ullman, Decatur, and Illinois Wholesale are passing along allowances to sales people. Pre-booking at retail level was most successful in accounts already having distribution on existing Cambridge packings and the early release of pre-booking forms expedited the success of this program. We continue to need carton rack labels for new products at the beginning of a program to secure a permanent new home that is properly marked and insure reordering.

Philip Morris

Continued gains being made in price/value category. Recent emphasis on Cambridge Ultra Lights and Full Flavor introduction has assisted in narrowing the gap between Philip Morris and competitors. Renewed emphasis on Players couponing has assisted this brand's sales in our area. The continuous couponing by competitors of full margin brands is affecting Philip Morris sales in higher volume accounts.

Industry

No unexpected impact from recent price increase since most accounts expect biannual increases.

On June 1, 1987, the Sun Time building adopted a no smoking policy except in designated areas. National Conference of Mayors is trying to pass smoking ban in major cities. Chicago Mayor Washington says he supports ban. Skokie smoking ban has passed and may be a proving ground for other towns to follow, based on the success or failure of the project.

Effective July 1, Indiana increased taxes on cigarettes from 10.5¢ to 15.5¢ per pack. This increase will bring them within 50¢ of Illinois prices which may transfer some border business back to Illinois.

II. COMPETITIVE ACTIVITY

American

Continue main emphasis behind Malibu. Paying retailers 30¢ per pack ($3.00 per carton) for packs tagged with 30¢ off stickers. Distribution is good and where couponed, is selling well. Repeat sales are slow. Hired temporary Special Representatives to pre-book product, place POS and coupon product. Special Rep reports to Division Manager's Supervisor, and Supervisor provides Special Rep with route list of accounts to be contacted.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

II. COMPETITIVE ACTIVITY (cont'd)

Sales Reps have been instructed to buy bottom rows on our AV/AG fixtures in Dominick's.

Promoting Lucky Strike with $2.00 off on-carton coupons and coupons for $2.00 off per carton in the newspapers.

Brown & Williamson

Primary thrust continues behind Falcon Lights and distribution is fair although sales are slow. Supporting brand with large posters, talkers and cards.

Pre-booking all Kool packings (60 to 120 cartons) to place $2.00 off on-carton coupons. Retailers received 10¢ per carton on the product they pre-booked. Most of the product was placed on the carton fixture, however if the account did not have a carton fixture, these cartons were being set in a floor bin which paid $5.00. Retailers are paid in cash for all Kool $2.00 off coupons. Coupon includes mail-in offer so that consumer can receive future offers. Product movement is good. Also featuring Kool in 8 carton display, paying $3.00 with offer of buy one get one free. Allowing higher volume accounts to purchase up to 20 cases and refill displays. Using this promotion as leverage to gain Falcon Lights distribution.

Are shipping in Viceroy, Belair and Raleigh with the cartons marked $2.00 off. This product has all packs marked 20¢ off. Wholesalers are billed off invoice. Retailers are billed off invoice from wholesalers. Retailers are not receptive to this idea because it creates another price level. Movement on product is slow at the wholesale level.

Viceroy was advertised at $2.00 off carton, 20¢ off package, in Core-Mark flyers from May 26 to June 8, 1987. Core-Mark was paid $1,000.00 for the ad.

Are placing two tier plastic displays on Richland. Display holds four cartons of buy one get one free product.

Liggett & Myers

Are booking in 30 carton bins which hold all L&M, Lark and Chesterfield packings with $2.00 off carton coupon attached. Very few displays have appeared at retail.

Featuring Eve in 10 carton floor displays and offer of free Jordache cigarette case with carton purchase. Payment to retailer is $10.00. Movement is slow.

Lorillard

Promoting specialty brands, Bristro, Brigade and Foxy in the Chicagoland area. Packages have been placed in their own 20 pack displays for which retailers receive three packs of Kent for each display.

2043945744

Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

II. COMPETITIVE ACTIVITY (cont'd)

Placing True in top portion of permanent counter displays. Also utilizing a 3D talker on the carton fixtures to denote the packaging change.

Featuring Newport in floor displays with offer of mini fluorescent light free with carton purchase.

R. J. Reynolds

Are now having wholesalers deliver Sales Reps pre-booked orders for buy one get one free to retail. No handling/stamping allowance is being paid to wholesalers. Wholesalers have had to add buy one get one free to their order sheets. Wholesale sales people are not to sell product. Problem with this procedure is wholesalers are also shipping product to retail for orders received directly from account.

"Funny Camel" Scripto Lighter promotion was mailed to all direct accounts.

Have been holding back coupon payments from high volume stores causing a lot of hostility on the retailers part.

Load-in on all Winston and Salem packings with 25¢ off per carton if placed on floor displays, minimum of 120 cartons and maximum of 240 cartons. If placed on carton rack, 15¢ off per carton is paid. All cartons have $2.00 off coupons. Supporting Winston with metal jumbo packs on poles in the Joliet area. Primary placement is in front of low volume accounts.

Featuring all packings of Century in 60 carton floor display with $2.00 off coupons attached to carton. Moderate movement.

Are utilizing Assistant Retail Merchandisers by having 2 work as a team to remove our POS and place RJR material and are drastically limiting our visibility in selected markets.

III. TRADE CLASSES

Wholesalers/Distributors

Certified plans to move Berrien Springs operation to Chicago since most business is in the Chicago market and the Michigan office is not cost effective.

Dearborn Wholesale - Bernie Hailey has transferred from Wayco Foods as the new buyer since their acquisition. Former buyer, Steve Edwards, remains as controller at Dearborn.

Supermarkets

Dominick's new store is to open in McHenry. Continue to move departments to non self-service.

2043945745

Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

III. TRADE CLASSES (cont'd)

Jewel - Four new stores are to open, two in Chicago, one in Wauconda and one in Elmhurst. Installation of 7 shelf rack is progressing rapidly.

Convenience Stores

Convenient Food Mart Central - Due to bankruptcy, was returned to corporate control on July 2. Sources indicate that **CFM, Peoria**, will take control of CFM, Chicago, in the near future.

Convenient Food Mart, Peoria, has agreed to place Philip Morris overhead in mock store at Heart of Illinois Fair in Peoria.

7-Eleven - Continued problems with M-5 compliance. Sales Representatives have been instructed to work with store managers to solve the problem locally.

White Hen - Distribution acceptance of Players 25's and Cambridge is being hampered by supervisor influence. We will pursue getting in touch with this level to solve the problem.

Convenience/Gas

Go Tane - Four new stations to open by the end of the summer. Proposal has been made to place Philip Morris overheads in new stores. BV displays are being removed because of space and sales limitations.

Phillips 66 has informed us that all merchandising contracts must be approved in St. Louis. Our Area Manager has made contact to get approvals.

Kwik Pantry - Plan B/M compliance has escalated significantly through efforts of AM Inendino.

Gas Stations

Observing a new wave of outlets using island racks. Most are homemade and an opportunity may exist to improve visibility if we could develop a rack for these locations.

Drug Stores

This trade class is becoming increasingly active in assisting their consumers to stop smoking by sponsoring and/or advertising clinics and carrying more aids to quit. Are displaying these products on or near cigarette merchandisers.

Osco - System 2000 decision still pending.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

III. TRADE CLASSES (cont'd)

Mass Merchandisers

K Mart - Waukegan store on Lewis Street is closing. Has issued letter that any generics can be displayed on bottom shelf of end cap generic section. New vendor sign-in sheet has been implemented for each manufacturer. RJR is the only tobacco company that has a sign-in sheet. They continue to change their end cap merchandisers. Most are near customer service and limited items checklanes, causing poor visibility.

Liquor Stores

Southland has combined three more liquor stores with convenience stores. This increased the total to four.

Other Retail Outlets

ADM Braun has contacted new newsstand outlet owner in the loop area about classification and programs participation of 7 outlet C & **A News/Mart.**

Vendors

New social pressures and price increase are beginning to cause machine removals by this trade class. Effects are the worst on smaller vendors only in cigarettes.

Returned Goods

Core Mark has hired a consultant to find solution to high rate of returns. Our new RGP at Core Mark has helped us to show a sizeable reduction in returns. Greg Swanson, Quality Assurance Field Audit Supervisor, from Richmond worked with RGP's on May 28 and 29. No feedback has been received to date.

IV. SSM KEY ACCOUNT CONTACTS

SAM Alan Sher

June 22, 1987 - **Dominick's** - Contacted Buyer Ed Krupnik to gain distribution of Cambridge Full Flavor, force ship 10-15 cartons to all stores and to gain authorization of 30 carton display. Cambridge was accepted, automatic distribution is pending and A-1 authorized through manager discretion. Ed also inquired about Philip Morris developing a contract payment of non self-service carton fixtures and wants a "beeper rack" or something similar to match the RJR rack they are testing. He also inquired when Philip Morris would join RJR in the "coupon solution" program currently used by Dominick's which generates a Philip Morris coupon when any competitive brand or accessory item is purchased.

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

IV. SSM KEY ACCOUNT CONTACTS (cont'd)

June 24, 1987 - **Walgreens** - Contacted Buyer Dale Solner to gain automatic distribution of Cambridge packings to all 1400 stores and obtain authorization for two for one Cambridge displays. Secured approval for both programs and gained authorization to force ship 5 each of Full Flavor packings and 5 cartons of King Lights which was previously not in distribution. Received information on customized rack presentation by RJR to merchandise cigarette packs, cartons, candy, gum, magazines and general merchandise in a dump bin incorporated into the end aisle display.

July 8, 1987 - **Clark Oil, Rockford** - Presentation to District Manager John Burke on Marlboro Sports Bag Promotion. The 30 carton display was accepted as presented.

July 9, 1987 - **7-Eleven, Great Lakes** - Met with Buyer Nancy Smith to gain Cambridge authorization, Marlboro Sports Bag authorization and banner authorization. Acceptance pending for seven Cambridge packings. Since this will be the first generic packing in this account, a special register key must be set up in each store. Sport Bag Promotion accepted for 30 carton display to be placed in August. Banner acceptance is pending, but response to presentation was positive.

July 15, 1987 - **Walgreen Drug** - Met with Buyer Dale Solner to authorize Marlboro Sports Bag Promotion in liquor departments and explore self-service carton opportunities. Currently the Marlboro promotion is pending and Dale has asked for two self-service proposals.

July 17, 1987 - **Clark Oil, Chicago** - Met with Buyer Ron Meyer to present full line distribution of Cambridge and automatic distribution to all stores. Presented Marlboro Sports Bag Promotion. Cambridge authorized for any station that wants product, but no automatic shipment. Sports Bag refused because buyer didn't want any new promotions in the limited space available in the stores.

V. MERCHANDISING PROGRAMS

Carton Merchandising

Plan A

Our most recent reports show us averaging 85.8 rows in contracted accounts selling 500+ cartons per week and 62.0 rows in accounts selling 300-499 cartons per week. Small fixtures average 35.4 rows. Standard fixtures average 40.0 and extended average 69.4 rows.

Eligible Plan A status:

Chain: None
Independent: Category I - 5 Category II - 9

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V. MERCHANDISING PROGRAMS (cont'd)

New revisions are good in that they allow flexibility to use AM/AG payments to count towards total Plan A rows. This will give a more accurate picture of row gap analysis.

Green Oil, Taylorville, ACE 70 rows, Cat. 2.
Green Oil, Auburn, ACE 70 rows, Cat. 2.
Green Oil, Marowa, ACE 60 rows, Cat. 2.
Green Oil, Abingdon, ACE 70 rows, Cat.2.

AV/AG Fixtures

Nothing new to report. No Retail Account Summary received to date.

Compact/Impact

Nothing new to report.

Pack/Counter Merchandising Program

Plan B

	June	May	Change
B-2	78	77	+ 1
B-3	763	771	- 8
B-4	364	366	- 2
M-3	633	631	+ 2
M-4	672	657	+15
Total	2,510	2,502	+ 8
Add-On Modules	1,203	1,197	+ 6
Primary Position	982	976	+ 6

Total B/M penetration has increased to 30.9%

The following new contracts were signed in chain accounts.

Cavett Rexall Drugs, M-3, 14 stores (long time holdout.)
Stewart Oil, M-4, 4 stores.

Plan BV

To date we have placed a total of 1,550 displays, an increase of 69 units. Penetration is currently 19.1%, an increase of .9 over previous month.

New chain contracts:

Stewart Oil, 3 self-service, 11 non self-service
VBMI, 7 non self-service
Illico, 7 self-service, 4 non self-service

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V. MERCHANDISING PROGRAMS (cont'd)

Plan BG

Currently have 576 accounts contracted. Penetration is at 7.1%. Placements continue to falter due to poor acceptance at retail as a solid, reliable vehicle to merchandise product.

Plan R

Nothing new to report.

Vending Program

In our Section, 193 vendors operating 17,522 machines are participating in our Plan D program. Of these vendors, 55 are on the DataVend system with 8,781 machines, 50.1%.

Through the month of June, we have secured 729 placements (312 Benson & Hedges, 213 Marlboro, 100 Merit, 8 Parliament and 96 Virginia Slims.) Four hundred thirty-three placements were through ride-withs and 296 were vendor placed.

Philip Morris Fixtures

Carton Fixtures

We currently have 297 accounts with Philip Morris carton fixtures. This is an increase of one account over last report.

New hinged type front rack is excellent concept, however the initial hinge was not quite strong enough to make the unit functional for continuous use. The revised piece seems to be working better.

New Placements:

Green Oil, Auburn, 4x4x4, replaced non self-service.
Green Oil, Taylorville, 3x4x4, replaced C/I department.
Green Oil, Marowa, 3x6, new department.
Green Oil, Abingdon, 3x4, replaced C/I department.
Redco Oil, Havana, 6', replaced non self-service

Package Fixtures

Overhead Pack Merchandisers

	June	May	Change
6'	765	764	+ 1
8'	347	349	- 2
8' Maxi	244	245	- 1
Other	40	40	---
Total	1,396	1,398	- 2

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Source: https://www.industrydocuments.ucsf.edu/docs/nlxl0000

V. MERCHANDISING PROGRAMS (cont'd)

New placements:

Stewart Oil, Quincy, 8' Maxi, replaced RJR overhead
Sterks, Chicago, 6' Maxi

In need of color brochures for new units with dimensions for presentations.

Wall Modules

Stewart Oil, Peoria, twelve 24" modules, replaced RJR wall unit.
Convenient Food, Shererville, IN, nine 29" modules.

VI. SECTION ACTIVITIES

Retail Activity

Retail placements of promotional displays, set/sells, temporary POS, semipermanent POS and permanent POS continues above the index level. Due to the new ICR and problems in the scanning system, our ICR error rate skyrocketed to 26.8%. Corrections in the system and continued familiarity should help reduce this to a more realistic figure. Call rate for June was 11.5 per day, consumer intercept coupon usage improved by 1,300 during the cycle due to on-time shipments and added emphasis. Fifty-one of 62 territories cycled and 7 cycled at 90-95%.

Management Activity

Area Managers are presenting Plans A, BV/BG, and AV/AM,sell-in of Marlboro Sports Bag A-1, permanent POS, and closing gaps on Cambridge Lights in chain accounts.

Division Managers are training Sales Reps on the new ICR/FSR, pre-booking Cambridge Full Flavor, training new samplers and hiring RMA's.

Special Programs

Humboldt Park Festival, June 12 - 14, 1987 - Hispanic event with large Puerto Rican attendance. Reports of 300,000 in attendance. Two Philip Morris Managers and 18 Sales Reps worked 201 hours during the event. We sponsored the main stage where a high degree of visibility was achieved by the placement of four Marlboro banners. We also had a booth which was decorated from which we sampled and conducted sweepstakes for incentive items to include T-shirts, caps, visors, lighters and cassette tapes. Marlboro Country and Western Volume I cassette was not highly received and should not have been used; an hispanic cassette would have been more acceptable. Most booth participants in the festival are tied into the Puerto Rican community, therefore I recommend hats and T-shirts be personalized with the Puerto Rican flag and/or shape of the island. This will lend to ethnic pride. To gain a high degree of visibility throughout the neighborhood and festival grounds, I recommend supplying personalized banners saluting the community be placed at retail

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VI. SECTION ACTIVITIES (cont'd)

outlets, main stage and the banquet. Miller beer and Pepsi had great success with this. Our sponsorship was announced on the main stage throughout the event and printed on posters that advertised "Fiestas Patronales Puertoriquenas". The new sweepstakes with color coded sweepstakes cards designating colors to prizes was much improved over the past number board and numbered sweepstakes tickets. This was much easier to work. However, I recommend one or two sweepstakes boards be printed in Spanish as should all sweepstakes cards. Many attendees did not understand what was going on. I would like to recommend that sponsorship negotiations be handled at the local level or that New York office personnel come out and personally speak to festival organizers. For the money being spent, I feel we can get much more mileage out of the festival in terms of being present/participating in all related festival events to include various banquets throughout the week prior to the festival and the parade. This program was well organized and we received excellent cooperation from festival members. An inadequate supply of samples and incentives were shipped with usage at 100%. I recommend future participation.

Sampling

Benson & Hedges samplers have been hired with all paperwork submitted to Region. Samplers began working July 2, with anticipated date of termination August 27, 1987. Division Managers have targeted neighborhood festivals for potential sampling locations.

Marlboro Summer samplers are on target with objectives. No problem in receiving materials. More details will be provided as received.

Permanent Point-Of-Sale

Bell Liquors accepted indoor/outdoor sign.
Omni Superstore accepted EMC unit.
Fairplay Finer Foods accepted EMC unit.
Redco Oil, Fanning Oil and **Illinois Ayers** accepted the shopping baskets.
Stewart Oil accepted the Marlboro banner, 40 locations.

Temporary Point-Of-Sale

Nothing new to report.

Special Projects

SAR Amy Vonachen has been assigned 80 retail calls in the Loop area to focus on obtaining Plan B/M, BG/BV placements and increase overall Philip Morris presence in these accounts.

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VII. SALES SERVICES

Systems

Suggest that a list of personnel that can or should be contacted when questions and/or problems occur with our weekly and cycle printouts arrive. Many times our edit reports indicate that a problem exists when we do not recognize what the problem is or how to correct it. It is much appreciated in the field to receive electronic messages advising us that a continuous error is not our fault and the problem is being corrected, as with the recent promo codes situation.

Our SSS's request that Call Books for them be bound and covered as they were in the past.

Fleet

Continued problems with Maxi-Guard buttom alarm. Local fix-it source, ABC Alarms, has not been able to remedy the sticking alarm button.

VIII. SALES DEVELOPMENT

Presentation Materials

We have many new items that do not include sell sheets during implementation (i.e. AM fixture, 6' and 8' low profile overheads.)

IX. MEDIA DEVELOPMENT

Good exposure in accounts using Actmedia program for shopping carts and aisle vision graphics. Positive response from the field.

X. ASSOCIATION/CONVENTIONS

AM's B. J. Marshall, Jay Inendino and Gary Hinthorn attended the annual Illinois Automatic Merchandising Council Golf Outing at Villa Olivia on June 18, 1987. R. J. Reynolds had four representatives and Lorillard had two representatives.

On Monday, June 15, 1987, SSS Mark Lopofsky, SAM Alan Sher and AM Gary Hinthorn entertained Nancy Smith (Buyer) and six District people from Southland at the Cubs game in the skybox. Afternoon went extremely well. Events of this nature definitely build account rapport.

On Thursday, June 25, 1987, attended the Philip Morris/Patrick Media Golf Outing at Lake Geneva, Wisconsin. The day provided an opportunity to visit with key personnel from our accounts. The turnout was good and this event is looked upon highly by our customers.

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X. ASSOCIATIONS/CONVENTIONS (cont'd)

On Friday, June 12, 1987, DM Arciniega and SR's Manny Ayala and Francisco Rivera attended the Puerto Rican Parade Committee Dignitaries Banquet at the Holiday Inn Center. The banquet is an event in conjunction with the Humboldt Park Festival. Approximately 500 people attended the banquet, among which were State Senator Miguel DelValle, Alderman 26th Ward Luis Gueteres, Alderman 31st Ward Ray Figueroa, candidate for State Representative Francisco Duprey, Mayor Administrative Assistant Ben Reyes, Mayors from Puerto Rico, and city administrators of Housing, Special Events, Press Office and the Mayor's Office. Among the corporations represented were, Coors, Eastern Airline, Pepsi, Wojo, Puerto Rican Chamber of Commerce, Cuban Chamber of Commerce and Cardenas Fernandes & Associates.

XI. SSM MISCELLANEOUS COMMENTS

Nothing new to report.

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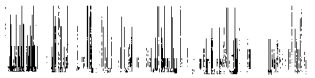

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